

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Sebewaing Township	County Huron
Fiscal Year End 3/31/2006	Opinion Date 7/25/2006	Date Audit Report Submitted to State 9/11/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

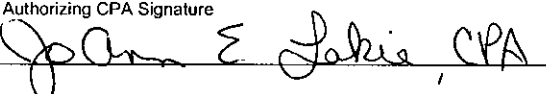
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Nietzke & Faupel, P.C., CPA's		Telephone Number (989) 883-3122	
Street Address 41 East Main Street		City Sebewaing	State MI
Zip 48759			
Authorizing CPA Signature 	Printed Name Jo Ann E. Lakie	License Number 17493	

**TOWNSHIP OF SEBEWAING
HURON COUNTY, MICHIGAN
SEBEWAING, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2006**

TOWNSHIP OF SEBEWAING

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITOR'S REPORT	i
MANAGEMENT'S DISCUSSION AND ANALYSIS	ii - iii
BASIC FINANCIAL STATEMENTS	1
Government-Wide Financial Statements	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Balance Sheet – Governmental Funds	4
Reconciliation of Governmental Fund Balances to Governmental Activities Net Assets	5
Statement of Revenue, Expenditures and Change in Fund Balances – Governmental Funds	6
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Notes to the Financial Statements	8 - 17
REQUIRED SUPPLEMENTARY INFORMATION	18
Schedule of Revenue, Expenditures and Change in Fund Balance – Budget and Actual – General Fund	19 - 22
Schedule of Revenue, Expenditures and Change in Fund Balance - Budget and Actual – Emergency Services Fund	23 - 24
Schedule of Revenue, Expenditures and Change in Fund Balance - Budget and Actual – Library Fund	25
Schedule of Revenue, Expenditures and Change in Fund Balance - Budget and Actual – Fire Equipment Sinking Fund	26
Schedule of Revenue, Expenditures and Change in Fund Balance - Budget and Actual – Road Fund	27

INDEPENDENT AUDITOR'S REPORT

Honorable Township Board Members
Township of Sebewaing
Sebewaing, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Sebewaing, Huron County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Sebewaing, Huron County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sebewaing, Huron County, Michigan, as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages ii through iii and 19 through 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Nietzke & Faupel, PC
NIETZKE & FAUPEL, P.C.
SEBEWAING, MICHIGAN

July 25, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Sebewaing Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The following points represent the most significant financial highlights for the year ended March 31, 2006. These points are discussed in further detail in this discussion and analysis.

- The fund balance in the general fund decreased from \$743,224 to \$651,358 during the past year. This is a decrease of \$91,866.
- State Revenue Sharing payments for the year totaled \$76,943. This was \$13,143 higher than the budgeted amount of \$63,800. For comparison, the State Revenue Sharing payments for fiscal year 2004-05 totaled \$77,629.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

The Township as a Whole

The following table shows a condensed view of the net assets as of March 31:

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Current assets	\$1,094,911	\$1,005,689
Noncurrent assets	<u>818,965</u>	<u>891,735</u>
Total assets	<u>\$1,913,876</u>	<u>\$1,897,425</u>
Current liabilities	\$ <u>41,659</u>	\$ <u>120,832</u>
Total liabilities	\$ <u>41,659</u>	\$ <u>120,832</u>
Net assets:		
Invested in capital assets	\$ 749,255	\$ 813,118
Unrestricted	<u>1,122,962</u>	<u>963,475</u>
Total net assets	<u>\$1,872,217</u>	<u>\$1,776,593</u>

Unrestricted net assets for governmental activities, the part of net assets that can be used to finance day-to-day operations, ended the fiscal year with a balance of \$1,122,962. This is approximately 59% of the net assets for governmental activities.

The following table shows the changes of the net assets during the years ended March 31:

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Revenue:		
Program revenues:		
Charges for services	\$ 129,207	\$ 117,285
Operating grants & contributions	9,514	8,944
Capital grants & contributions	7,646	32,954
General revenues:		
Property taxes	529,417	531,255
State shared revenues	76,943	77,629
Unrestricted investment earnings	15,755	20,940
Miscellaneous	<u>21,150</u>	<u>11,816</u>
Total revenues	<u>789,632</u>	<u>800,823</u>
Expenses:		
General government	148,323	210,625
Public safety	185,148	170,535
Highways & public improvements	196,483	556,386
Library	96,956	92,833
Contribution to other government unit	<u>67,098</u>	<u>50,257</u>
Total expenses	<u>694,008</u>	<u>1,080,636</u>
Change in net assets	95,624	(279,813)
Net assets - Beginning	<u>1,776,593</u>	<u>2,056,406</u>
Net assets - Ending	<u>\$1,872,217</u>	<u>\$1,776,593</u>

Capital Assets

As of March 31, 2006, Sebewaing Township had a total of \$749,255 (net of depreciation) invested in capital assets including land, building, and equipment.

Economic Factors and Next Years Budgets

The fiscal year budget for 2006-07 is at \$817,135, which is \$183,115 more than the 2005-06 fiscal year of \$634,020. In comparison the road fund had projects totaling \$179,100 for the fiscal year 2005-06 and the budget for 2006-07 road projects planned and budgeted amount to \$345,800.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to Willet Osechger, Supervisor, or Kurt Bach, Township Clerk, P.O. Box 687, Sebewaing, MI 48759.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF SEBEWAING

**STATEMENT OF NET ASSETS
MARCH 31, 2006**

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Current assets:	
Cash	\$ 1,032,757
Taxes receivable	24,082
Special assessment receivable - Canal dredging	1,151
Accounts receivable	46,703
Allowance for doubtful accounts	(33,765)
Prepaid insurance	23,983
Total current assets	<u>1,094,911</u>
Noncurrent assets:	
Investment in Sebewaing Harbor Commission	69,710
Nondepreciated assets	19,369
Capital assets	1,554,675
Less accumulated depreciation	<u>(824,789)</u>
Total noncurrent assets	<u>818,965</u>
TOTAL ASSETS	<u><u>1,913,876</u></u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	41,659
TOTAL LIABILITIES	<u><u>41,659</u></u>
<u>NET ASSETS</u>	
Invested in capital assets	749,255
Unrestricted	1,122,962
TOTAL NET ASSETS	<u><u>\$ 1,872,217</u></u>

The accompanying notes are an integral
part of the financial statements.

TOWNSHIP OF SEBEWAING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

	EXPENSES	CHARGES FOR SERVICES	PROGRAM REVENUE		NET (EXPENSE) REVENUES & CHANGES IN NET ASSETS		
			OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
Governmental Activities							
General government	\$ 148,323	\$ 5,112		\$ 3,743	\$ (143,211)		\$ (143,211)
Public Safety	185,148	83,195			(98,210)		(98,210)
Highways and public improvements	196,483				(196,483)		(196,483)
Library	96,956	40,900	\$ 9,514	3,903	(42,639)		(42,639)
Total Governmental Activities	\$ 626,910	\$ 129,207	\$ 9,514	\$ 7,646	(480,543)		(480,543)
General Revenue:							
Property taxes					529,417		529,417
State shared revenues					76,943		76,943
Unrestricted investment earnings					15,755		15,755
Miscellaneous					21,150		21,150
Contribution to other governmental unit					(67,098)	-	(67,098)
Total general revenues					576,167		576,167
Change in net assets					95,624	-	95,624
Net assets - beginning					1,776,593		1,776,593
Net assets - ending					\$ 1,872,217	\$ -	\$ 1,872,217

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF SEBEWAING
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2006

	<u>GENERAL</u>	<u>EMERGENCY SERVICES</u>	<u>LIBRARY</u>	<u>FIRE EQUIPMENT SINKING</u>	<u>ROAD</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS						
Cash	\$ 639,929	\$ 46,436	\$ 65,485	\$ 132,209	\$ 148,698	\$ 1,032,757
Taxes receivable	24,082					24,082
Special assessment receivable - Canal dredging	1,151					1,151
Accounts receivable		46,703				46,703
Allowance for doubtful accounts		(33,765)				(33,765)
Prepaid insurance	9,280	11,451	3,252			23,983
Advance to other funds	16,120					16,120
TOTAL ASSETS	<u>\$ 690,562</u>	<u>\$ 70,825</u>	<u>\$ 68,737</u>	<u>\$ 132,209</u>	<u>\$ 148,698</u>	<u>\$ 1,111,031</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
Accounts payable	\$ 39,204	\$ 421	\$ 2,034			41,659
Advance from other funds			16,120			16,120
TOTAL LIABILITIES	<u>39,204</u>	<u>421</u>	<u>18,154</u>			<u>57,779</u>
FUND EQUITY:						
Reserved	16,120					16,120
Unreserved	635,238	70,404	50,583	\$ 132,209	\$ 148,698	1,037,132
TOTAL FUND EQUITY	<u>651,358</u>	<u>70,404</u>	<u>50,583</u>	<u>132,209</u>	<u>148,698</u>	<u>1,053,252</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 690,562</u>	<u>\$ 70,825</u>	<u>\$ 68,737</u>	<u>\$ 132,209</u>	<u>\$ 148,698</u>	<u>\$ 1,111,031</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF SEBEWAING

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO GOVERNMENTAL ACTIVITIES NET ASSETS
MARCH 31, 2006**

Total governmental fund balances	\$ 1,053,252
---	---------------------

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$1,574,044 less the accumulated depreciation of \$824,789.	749,255
--	---------

Investment in Sebewaing Harbor Commission	69,710
---	--------

Net assets - governmental activities	<u>\$ 1,872,217</u>
---	----------------------------

TOWNSHIP OF SEBEWAING
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	<u>GENERAL</u>	<u>EMERGENCY SERVICES</u>	<u>LIBRARY</u>	<u>FIRE EQUIPMENT SINKING</u>	<u>ROAD</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:						
Taxes	\$ 112,730	\$ 74,078	\$ 37,241	\$ 18,600	\$ 298,433	\$ 541,082
Intergovernmental	76,943	3,743	3,903			84,589
Fines			16,500			16,500
Charges for services		85,695				85,695
Miscellaneous	24,786	155	37,376			62,317
TOTAL REVENUE	<u>214,459</u>	<u>163,671</u>	<u>95,020</u>	<u>18,600</u>	<u>298,433</u>	<u>790,183</u>
EXPENDITURES:						
Township board	3,755					3,755
Supervisor	15,269					15,269
Elections	60					60
Assessor	9,485					9,485
Clerk	41,130					41,130
Board of review	736					736
Treasurer	11,790					11,790
Township hall and grounds	28,763					28,763
Drains at large	1,649					1,649
Zoning administrator	691					691
Airport	11,508					11,508
Emergency services		117,344				117,344
Library			90,528			90,528
Fire equipment sinking				750		750
Roads					187,377	187,377
Capital outlay	14,391	11,806	7,659			33,856
TOTAL EXPENDITURES	<u>139,227</u>	<u>129,150</u>	<u>98,187</u>	<u>750</u>	<u>187,377</u>	<u>554,691</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>75,232</u>	<u>34,521</u>	<u>(3,167)</u>	<u>17,850</u>	<u>111,056</u>	<u>235,492</u>
OTHER FINANCING SOURCES (USES)						
Operating transfer in						100,000
Operating transfer out	(100,000)				100,000	(100,000)
Contribution to other governmental unit	(67,098)					(67,098)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(167,098)</u>				<u>100,000</u>	<u>(67,098)</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(91,866)</u>	<u>34,521</u>	<u>(3,167)</u>	<u>17,850</u>	<u>211,056</u>	<u>168,394</u>
FUND BALANCE (DEFICIT) - APRIL 1	743,224	35,883	53,750	114,359	(62,358)	884,858
FUND BALANCE - MARCH 31	<u>\$ 651,358</u>	<u>\$ 70,404</u>	<u>\$ 50,583</u>	<u>\$ 132,209</u>	<u>\$ 148,698</u>	<u>\$ 1,053,252</u>

TOWNSHIP OF SEBEWAING

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006**

Net change in fund balances - governmental funds	\$ 168,394
--	------------

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost is allocated over their estimated useful lives
and reported as depreciation expense. This is the amount by which
depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 35,653	
Depreciation expense	<u>(99,516)</u>	(63,863)

Investment in Sebewaing Harbor Commission	6,000
---	-------

Equity loss of Sebewaing Harbor Commission	(14,907)
--	----------

Change in net assets of governmental activities	<u>\$ 95,624</u>
---	------------------

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Township Operations:

The Township is located in Huron County, Michigan, and has approximately 3,000 residents. It is governed by a five person elected board and provides the following services to its residents: fire protection, ambulance service, highways and streets, library and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used in the Township are discussed below.

Reporting Entity:

In evaluating how to define the Township of Sebewaing for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township of Sebewaing is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Township of Sebewaing reporting entity.

Excluded from the reporting entity:

Unionville Sebewaing School District – This potential component unit has a separate elected board and provides educational services to residents of the local area. The School District is excluded from the reporting entity because the Township of Sebewaing does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Sebewaing Harbor Commission – The Township of Sebewaing along with the Village of Sebewaing created this separate legal entity for the purpose of planning, acquiring, constructing and operating a community harbor to provide recreational services to the residents of the Township of Sebewaing and the Village of Sebewaing along with the general public. Each governing body appointed three members to create a six member Board of Commissioners. Based on the criteria for determining which component units to include in the reporting entity, the Township of Sebewaing management has excluded the Harbor Commission from the reporting entity of the Township of Sebewaing. However, because of the financial interest and responsibility the Township of Sebewaing and the Village of Sebewaing equally share for the Harbor Commission, the Harbor Commission is being treated as a joint venture between the Township of

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Sebewaing and the Village of Sebewaing. The investment in the joint venture has been included in the General Fund as a capital outlay and further disclosures related to the investment in the joint venture are included in Note 5.

Government-Wide and Fund Financial Statements:

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Township's general administrative services, public safety, highways and public improvements, and library, are classified as governmental activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Township are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements. The Township of Sebewaing currently has no long-term debt.

(CONTINUED)

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sharing and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Township.

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Township reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Township accounts for the following special revenue funds.

The Emergency Services Fund is a special revenue fund used to account for revenue from charges for service and current property taxes allocated to provide ambulance and fire fighting services to Township residents. The Library Fund is a special revenue fund used to account for revenue from state penal fines and current property taxes allocated to the operation of the Township of Sebewaing Library. The Fire Equipment Sinking Fund is a special revenue fund used to account for current property taxes allocated to purchase fire and ambulance equipment. The Road Fund is a special revenue fund used to account for revenue from current property taxes allocated to provide for maintenance and construction of Township of Sebewaing roads.

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

The Township reports no nonmajor fund types:

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds). All other outstanding balances between funds are reported as "due to/from other funds."

Other receivables at March 31, 2006 consist of property taxes, and billings for ambulance services. Taxes are deemed collectible in full. An allowance for doubtful accounts has been reported for ambulance service receivables.

Capital Assets:

Capital assets, which include property, plant, and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives is not capitalized.

Property, plant, and equipment of the government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	7 to 40
Machinery and equipment	3 to 7
Books, videos, and DVD's	5

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended March 31, 2006 was \$99,516. Capital asset acquisitions in the governmental funds totaled \$35,653 for the year ended March 31, 2006. A summary of Governmental Fund capital assets at March 31, 2006 and 2005 are as follows:

(CONTINUED)

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

	<u>2006</u>	<u>2005</u>
Land	\$ 19,369	\$ 19,369
Buildings	746,107	728,250
Equipment	808,568	790,772
Less accumulated depreciation	<u>(824,789)</u>	<u>(725,273)</u>
NET GOVERNMENTAL FUND CAPITAL ASSETS	<u>\$749,255</u>	<u>\$813,118</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 25,735
Public safety	64,740
Library	<u>9,041</u>
Total depreciation expense – governmental activities	<u>\$ 99,516</u>

Property Taxes:

Properties are assessed as of December 31, and the related property taxes become a lien on December 1, of the following year. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county tax rolls.

The delinquent real property taxes of the Township are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenue for the current year.

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures/expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – BUDGET COMPLIANCE:

The Township of Sebewaing Board follows these procedures in establishing the budgetary data reflected in the financial statements:

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 2 – BUDGET COMPLIANCE: (CONTINUED)

1. In accordance with the Township Act, prior to March 1, the Township of Sebewaing Clerk submits to the Township of Sebewaing Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Township Act requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a budget resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse at the end of each fiscal year.
7. The Township of Sebewaing Board may authorize supplemental appropriations during the year. The budget was amended during the fiscal year.

P. A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township of Sebewaing expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Township of Sebewaing for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2006, the following expenditures were in excess of the amount appropriated for the year:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>UNFAVORABLE VARIANCE</u>
GENERAL FUND:			
Zoning administrator	\$ 600	\$ 691	\$ 91
LIBRARY FUND	88,600	98,187	9,587
FIRE EQUIPMENT SINKING FUND	300	750	450
ROAD FUND	179,100	187,377	8,277

NOTE 3 – DETAIL NOTES ON ALL FUNDS:

A. The carrying amount of cash and deposits with financial institutions of the Township of Sebewaing amounted to \$1,032,757 at March 31, 2006. The total bank balance as of the same date was \$1,055,399. Deposits with financial institutions are categorized as follows:

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 3 – DETAIL NOTES ON ALL FUNDS: (CONTINUED)

Amount insured by the FDIC	\$343,962
Uncollateralized	<u>711,437</u>
Total deposits with financial institutions	1,055,399
Cash on hand	<u>404</u>
Total deposits and cash on hand	<u>\$1,055,803</u>

Included in the total deposits and cash on hand is a money market fund with Cadre Institutional Investors Trust. The details at March 31, 2006 are as follows:

<u>ACCOUNT TYPE</u>	<u>FAIR VALUE</u>	<u>WEIGHTED AVERAGE MATURITY (YEARS)</u>	<u>STANDARD & POOR'S RATING</u>	<u>%</u>
(CIITMM) Money Market Series	\$410,415	0.0027	AAAm	100%
Total fair value	<u>\$410,415</u>			<u>100%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

All deposits categorized as uncollateralized are the property of the Township of Sebewaing.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2006.

Michigan Compiled Laws Section 129.91 authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority. The Township has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Township's deposits and investments are within the authorization as set forth by the Township of Sebewaing. The Township's investment policy does not identify credit risk, custodial credit risk, concentration of credit risk, or interest rate risk.

(CONTINUED)

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 3 – DETAIL NOTES ON ALL FUNDS: (CONTINUED)

B. The General Fund advanced \$70,120 to the Library for the purchase of a building that is adjacent to the Library in 1997. The Library used the additional space to expand the Library. The building also has residential rental apartment units. The terms of the loan are annual payments of at least \$6,000 including interest, at 4% per annum. The current balance is \$16,120. An amount equal to the unpaid balance of the advance has been reserved in the General Fund's Fund Balance.

C. Property taxes are levied based on the taxable value of property located in the Township. Assessed value is established annually and equalized by the State at an estimated 50% of current market value. A comparison of the assessed and taxable property values for the 2005 tax levy is as follows:

	<u>ASSESSED VALUE</u>	<u>TAXABLE VALUE</u>
Real property-Regular roll	\$83,137,400	\$68,129,049
Personal property-Regular roll	<u>6,069,000</u>	<u>6,069,000</u>
TOTAL	<u>\$89,206,400</u>	<u>\$74,198,049</u>

D. The Township of Sebewaing has elected to be a reimbursing employer for purposes of unemployment insurance claims. The Township of Sebewaing reimburses the State of Michigan for all benefits charged.

NOTE 4 - PENSION PLAN - DEFINED CONTRIBUTION:

The Township of Sebewaing contributed to the Manulife Plan for Governmental Employees, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants benefits that may be allocated to such participant's account. As established by local ordinance, all elected officials, full-time library employees and ambulance service employees of the Township of Sebewaing must participate in the pension plan from the date they are officially elected or hired to their respective position. Contributions made by the Township of Sebewaing vest immediately. An employee who leaves the employment of the Township of Sebewaing is entitled to his or her contributions made by the Township of Sebewaing if vesting requirements are satisfied. No voluntary contributions are allowed and 100% of the contribution is made by the Township of Sebewaing. As determined by local ordinance, the Township of Sebewaing is required to contribute 7.5% of the employee's gross earnings to the pension plan.

The Township of Sebewaing total current year payroll was \$143,288 and the total current year covered payroll was \$102,773 which includes elected officials, full-time library employees, and ambulance service employees.

(CONTINUED)

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 4 – PENSION PLAN – DEFINED CONTRIBUTION: (CONTINUED)

During the year, the Township of Sebewaing's required and actual contributions amounted to \$7,708 which was 7.5% of its current-year covered payroll.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township of Sebewaing or its employees.

The Manulife Plan held no securities of the Township of Sebewaing or other related parties during the year or as of the close of the fiscal year ended March 31, 2006.

NOTE 5 - INVESTMENT IN JOINT VENTURE:

Currently, the Township of Sebewaing has invested \$69,710 in the Sebewaing Harbor Commission. The Sebewaing Harbor Commission is being treated as a joint venture because the Township of Sebewaing shares equal financial and oversight responsibility with the Village of Sebewaing. The investment in the Sebewaing Harbor Commission is accounted for using the equity method of accounting. The following is a statement of net assets of the Sebewaing Harbor Commission:

	<u>MARCH 31,</u> <u>2006</u>
ASSETS:	
Cash	\$ 270
Due from Sebewaing Township	975
TOTAL CURRENT ASSETS	<u>1,245</u>
CAPITAL ASSETS - Land	<u>103,340</u>
OTHER ASSETS:	
Marina lease	75,100
Accumulated amortization	<u>(8,834)</u>
TOTAL OTHER ASSETS	<u>66,266</u>
TOTAL ASSETS	<u>170,851</u>
LIABILITIES:	
Due to Village of Sebewaing	31,210
Deferred Revenue	<u>221</u>
TOTAL LIABILITIES	<u>31,431</u>
NET ASSETS:	
Investment in capital assets	103,340
Unrestricted	<u>36,080</u>
TOTAL NET ASSETS	<u>\$139,420</u>

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 5 - INVESTMENT IN JOINT VENTURE: (CONTINUED)

The Village of Sebewaing and the Township of Sebewaing, on an equal basis, formed the Sebewaing Harbor Commission to construct a marina. The Township and Village advanced funds to the Harbor Commission which was to be used for the purchase of land at the site of the marina.

NOTE 6 - RISK MANAGEMENT:

The Township of Sebewaing, Huron County, Michigan participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$3,252,611 for real and personal property losses and \$5 million for liability losses. The Township of Sebewaing, Huron County, Michigan is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Worker's Compensation:

The Township of Sebewaing, Huron County, Michigan, participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool for the coverage of losses related to worker's compensation claims. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$500,000. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Medical Insurance:

The Township of Sebewaing purchased commercial insurance coverage for medical insurance for the head librarian.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF SEBEWAING

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUE:				
Taxes:				
Current property tax	\$ 96,750	\$ 96,750	\$ 101,065	\$ 4,315
Canal dredging assessment			11,665	11,665
Total taxes	<u>96,750</u>	<u>96,750</u>	<u>112,730</u>	<u>15,980</u>
Intergovernmental:				
State revenue sharing:				
Constitutional & Statutory	<u>63,800</u>	<u>63,800</u>	<u>76,943</u>	<u>13,143</u>
Miscellaneous:				
Interest earnings	5,000	6,000	15,302	9,302
Miscellaneous	1,500	500	5,092	4,592
Rentals-Airport	2,000	2,000	2,700	700
Gasoline-Airport	<u>6,000</u>	<u>6,000</u>	<u>1,692</u>	<u>(4,308)</u>
Total miscellaneous	<u>14,500</u>	<u>14,500</u>	<u>24,786</u>	<u>10,286</u>
TOTAL REVENUE	<u>175,050</u>	<u>175,050</u>	<u>214,459</u>	<u>39,409</u>
EXPENDITURES:				
Township board:				
Salaries and wages	4,000	4,000	2,954	1,046
Taxes-FICA	250	250	211	39
Meetings and education	1,750	1,750	200	1,550
Mileage	300	300	47	253
Pension contribution	<u>300</u>	<u>300</u>	<u>343</u>	<u>(43)</u>
Total township board	<u>6,600</u>	<u>6,600</u>	<u>3,755</u>	<u>2,845</u>
Supervisor:				
Salaries and wages	6,510	6,510	6,040	470
Pension contribution	2,500	2,500	1,188	1,312
Meeting and education	3,000	3,000	1,469	1,531
Mileage	1,000	1,000	543	457
Miscellaneous	300	300	125	175
Assessment roll preparation	7,500	7,500	5,904	1,596
Professional Fees	<u>1,000</u>	<u>1,000</u>		<u>1,000</u>
Total supervisor	<u>21,810</u>	<u>21,810</u>	<u>15,269</u>	<u>6,541</u>
Elections:				
Salaries and wages	1,500	1,500		1,500
Supplies	1,500	1,500	60	1,440
Mileage	500	500		500
Repairs and maintenance	1,000	1,000		1,000
Miscellaneous	<u>500</u>	<u>500</u>		<u>500</u>
Total elections	<u>5,000</u>	<u>5,000</u>	<u>60</u>	<u>4,940</u>

(Continued)

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006**

EXPENDITURES: (CONTINUED)	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Assessor:				
Salaries and wages	9,020	9,020	8,990	30
Miscellaneous	2,000	2,000	495	1,505
Total assessor	11,020	11,020	9,485	1,535
Clerk:				
Salaries and wages	9,020	9,020	8,185	835
Wages - Deputy clerk	1,500	1,500	812	688
Taxes - FICA	350	350		350
Pension contribution	6,000	6,000	675	5,325
Meetings and education	1,000	1,000		1,000
Pension administrative fees	500	500		500
Supplies	7,000	7,000	4,361	2,639
Professional fees	6,000	6,000	3,286	2,714
Dues and memberships	2,500	2,500	1,359	1,141
Telephone	4,000	4,000	3,249	751
Mileage	500	500	46	454
Printing and publishing	3,000	3,000	1,205	1,795
Insurance	15,000	20,868	15,017	5,851
Miscellaneous	5,500	10,487	2,935	7,552
Total clerk	61,870	72,725	41,130	31,595
Board of review:				
Salaries and wages	1,200	1,200	680	520
Miscellaneous	200	200	56	144
Education	250	250		250
Mileage	150	150		150
Supplies	50	50		50
Total board of review	1,850	1,850	736	1,114
Board of appeals:				
Salaries and wages	300	300		300
Miscellaneous	100	100		100
Mileage	100	100		100
Total board of appeals	500	500	-	500

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>			<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
EXPENDITURES: (CONTINUED)				
Treasurer:				
Salaries and wages	9,020	9,020	10,664	(1,644)
Wages - Deputy treasurer	250	250		250
Taxes - FICA	50	50		50
Pension contribution	1,500	1,500	886	614
Meetings and education	1,200	1,200		1,200
Supplies	1,500	1,500	161	1,339
Mileage	250	250	46	204
Miscellaneous	2,000	2,000	33	1,967
Total treasurer	<u>15,770</u>	<u>15,770</u>	<u>11,790</u>	<u>3,980</u>
Township hall and grounds:				
Supplies	1,000	1,000	293	707
Utilities	10,000	10,000	10,642	(642)
Repairs and maintenance	10,000	22,732	17,828	4,904
Miscellaneous	1,000	1,000		1,000
Total township hall and grounds	<u>22,000</u>	<u>34,732</u>	<u>28,763</u>	<u>5,969</u>
Drains at large:				
Contracted services	<u>1,800</u>	<u>1,800</u>	<u>1,649</u>	<u>151</u>
Zoning administrator:				
Salaries and wages	<u>600</u>	<u>600</u>	<u>691</u>	<u>(91)</u>
Airport:				
Gas and oil		3,339	3,339	
Gas - mower	700	781	781	
Telephone	750	750	607	143
Insurance	6,000	6,000	4,700	1,300
Utilities	2,500	2,500	1,228	1,272
Repairs and maintenance	3,000	3,000	428	2,572
Taxes-State sales	500	500	115	385
Miscellaneous	1,000	1,000	310	690
Total airport	<u>14,450</u>	<u>17,870</u>	<u>11,508</u>	<u>6,362</u>
Capital outlay:				
Clerk	7,400	7,400	4,808	2,592
Township hall and grounds	40,000	82,018	8,960	73,058
Airport	2,000	2,000	623	1,377
Total capital outlay	<u>49,400</u>	<u>91,418</u>	<u>14,391</u>	<u>77,027</u>
TOTAL EXPENDITURES	<u>212,670</u>	<u>281,695</u>	<u>139,227</u>	<u>142,468</u>

(Continued)

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(37,620)</u>	<u>(106,645)</u>	<u>75,232</u>	<u>181,877</u>
OTHER FINANCING (USES):				
Operating transfers out	(150,000)	(100,000)	(100,000)	
Contribution to other governmental unit	<u> </u>	<u>(67,098)</u>	<u>(67,098)</u>	<u> </u>
TOTAL OTHER FINANCING (USES)	(150,000)	(167,098)	(167,098)	-
EXCESS OF REVENUE (UNDER) EXPENDITURES AND OTHER (USES)	<u>(187,620)</u>	<u>(273,743)</u>	<u>(91,866)</u>	<u>181,877</u>
FUND BALANCE-APRIL 1	743,224	743,224	743,224	
FUND BALANCE-MARCH 31	<u>\$ 555,604</u>	<u>\$ 469,481</u>	<u>\$ 651,358</u>	<u>\$181,877</u>

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - EMERGENCY SERVICES FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	BUDGET			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Taxes-Current property tax	\$ 74,400	\$ 74,400	\$ 74,078	\$ (322)
Intergovernmental:				
Grants from county	3,600	3,600	3,300	(300)
FEMA grant			443	443
Charges for services	55,000	55,000	85,695	30,695
Miscellaneous - Interest earnings			155	155
TOTAL REVENUE	<u>133,000</u>	<u>133,000</u>	<u>163,671</u>	<u>30,671</u>
EXPENDITURES:				
Ambulance :				
Salaries and wages	38,500	38,500	43,449	(4,949)
Taxes-FICA	1,000	1,000		1,000
Pension contribution	6,000	6,000	2,725	3,275
Supplies	8,500	8,964	8,666	298
Professional fees		625	625	
Physicals and medical	200	200	23	177
Telephone	3,000	3,000	2,443	557
Insurance	6,000	6,108	6,108	
Repairs and maintenance	3,000	3,000	1,156	1,844
Miscellaneous	900	900	2,513	(1,613)
Mileage	800	800	772	28
Education and training	4,000	4,000	3,845	155
Billing fee	10,000	10,000	7,006	2,994
Capital outlay	8,000	8,000	6,247	1,753
Total Ambulance	<u>89,900</u>	<u>91,097</u>	<u>85,578</u>	<u>5,519</u>
Fire Department:				
Salaries and wages	16,000	16,000	17,014	(1,014)
Taxes-FICA	2,000	2,000	1,854	146
Supplies	2,500	2,500	759	1,741
Professional fees	750	750	625	125
Telephone	750	750	667	83
Gas and oil	3,000	4,000	3,377	623
Insurance	15,000	15,000	11,151	3,849
Repairs and maintenance	5,000	5,000	1,942	3,058
Miscellaneous	100	259	259	
Mileage	2,000	2,000	90	1,910
Dues and memberships	200	200	140	60
Physicals and medical	200	200	45	155
Education and training	2,000	2,000	90	1,910
Capital outlay	8,000	8,000	5,559	2,441
Total Fire Department	<u>57,500</u>	<u>58,659</u>	<u>43,572</u>	<u>15,087</u>
TOTAL EXPENDITURES	<u>147,400</u>	<u>149,756</u>	<u>129,150</u>	<u>20,606</u>

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - EMERGENCY SERVICES FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(14,400)</u>	<u>(16,756)</u>	<u>34,521</u>	<u>51,277</u>
FUND BALANCE-APRIL 1	35,883	35,883	35,883	
FUND BALANCE-MARCH 31	<u>\$ 21,483</u>	<u>\$ 19,127</u>	<u>\$ 70,404</u>	<u>\$ 51,277</u>

TOWNSHIP OF SEBEWAING

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - LIBRARY FUND FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>			<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUE:				
Taxes-Current property tax	\$ 37,000	\$ 37,000	\$ 37,241	\$ 241
Intergovernmental:				
State grant	2,000	2,000	3,903	1,903
Fines:				
Penal and book fines	16,000	16,000	16,500	500
Miscellaneous:				
Miscellaneous	3,000	3,000	3,164	164
Interest earnings	600	600	298	(302)
Contributions from private sources	5,000	5,000	11,014	6,014
Videos	5,000	5,000	5,501	501
Rent income - apartments	20,000	20,000	17,399	(2,601)
TOTAL REVENUE	<u>88,600</u>	<u>88,600</u>	<u>95,020</u>	<u>6,420</u>
EXPENDITURES:				
Salaries and wages	36,800	36,800	44,290	(7,490)
Employee benefits	13,200	13,200	6,746	6,454
Pension contribution	3,000	3,000	2,521	479
Supplies	3,000	3,000	3,541	(541)
Books, magazines and periodicals	7,415	7,415	8,384	(969)
Professional fees	1,400	1,400	1,350	50
Library participation fee	2,000	2,000	1,611	389
Telephone	1,300	1,300	905	395
Technology	700	700	835	(135)
Mileage	400	400	590	(190)
Insurance	4,100	4,100	4,355	(255)
Interest expense	885	885	885	
Utilities	4,500	4,500	4,997	(497)
Repairs and maintenance	1,000	1,000	293	707
Miscellaneous	400	400	1,535	(1,135)
Capital outlay	1,500	1,500	7,659	(6,159)
Rental expenses-apartments	7,000	7,000	7,690	(690)
TOTAL EXPENDITURES	<u>88,600</u>	<u>88,600</u>	<u>98,187</u>	<u>(9,587)</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(3,167)</u>	<u>(3,167)</u>
FUND BALANCE-APRIL 1	53,750	53,750	53,750	
FUND BALANCE-MARCH 31	<u>\$ 53,750</u>	<u>\$ 53,750</u>	<u>\$ 50,583</u>	<u>\$ (3,167)</u>

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - FIRE EQUIPMENT SINKING FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes:				
Current property tax	\$ 18,600	\$ 18,600	\$ 18,600	
TOTAL REVENUE	<u>18,600</u>	<u>18,600</u>	<u>18,600</u>	
EXPENDITURES:				
Professional fees	300	300	199	\$ 101
Abated taxes			551	(551)
TOTAL EXPENDITURES	<u>300</u>	<u>300</u>	<u>750</u>	<u>(450)</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>18,300</u>	<u>18,300</u>	<u>17,850</u>	<u>(450)</u>
FUND BALANCE-APRIL 1	114,359	114,359	114,359	
FUND BALANCE-MARCH 31	<u>\$ 132,659</u>	<u>\$ 132,659</u>	<u>\$ 132,209</u>	<u>\$ (450)</u>

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE-
BUDGET AND ACTUAL - ROAD FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes - Current property tax	\$ 300,100	\$ 300,100	\$ 298,433	\$ (1,667)
Miscellaneous - Interest earnings	16,300	16,300		(16,300)
TOTAL REVENUE	<u>316,400</u>	<u>316,400</u>	<u>298,433</u>	<u>(17,967)</u>
EXPENDITURES:				
Professional fees	100	100	300	(200)
Abated taxes			8,840	(8,840)
Road brining	8,000	8,000	7,608	392
Brush spraying	1,000	1,000		1,000
Contributions to County Road Commission	170,000	170,000	170,629	(629)
TOTAL EXPENDITURES	<u>179,100</u>	<u>179,100</u>	<u>187,377</u>	<u>(8,277)</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>137,300</u>	<u>137,300</u>	<u>111,056</u>	<u>(26,244)</u>
OTHER FINANCING SOURCES:				
Operating transfer in	150,000	100,000	100,000	
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	<u>287,300</u>	<u>237,300</u>	<u>211,056</u>	<u>(26,244)</u>
FUND BALANCE (DEFICIT)-APRIL 1	(62,358)	(62,358)	(62,358)	
FUND BALANCE-MARCH 31	<u>\$ 224,942</u>	<u>\$ 174,942</u>	<u>\$ 148,698</u>	<u>\$ (26,244)</u>



Nietzke & Faupel, PC

Members of: Michigan Association of Certified Public Accountants • American Institute of Certified Public Accountants

ALLAN W. NIETZKE, CPA
DONALD C. FAUPEL, CPA
JEFFREY P. BUSHEY, CPA
BRIAN V. HAZARD, CPA

CPA's On Your Team

To the Honorable Township Board
Township of Sebewaing, Huron County
Sebewaing, Michigan 48759

The following comments relate to situations brought to our attention during the course of our recent audit of the financial statements of the Township of Sebewaing, Sebewaing, Michigan, for the year ended March 31, 2006, and are submitted for your evaluation and consideration. We would like to emphasize that our audit was conducted for the purpose of expressing opinions on the aforementioned financial statements, therefore, the following comments are not necessarily all inclusive.

RECONCILING STATEMENTS REGULARLY

During the audit, we noted that the bank statements for Sebewaing Townships various accounts were not reconciled to the general ledger. Most of the problems encountered within the area of cash can be avoided if a proper system of checks and balances is incorporated into the Township's procedures. We recommend that all of the bank accounts be reconciled monthly to the general ledger and that all suspicious reconciling items be promptly investigated and adjusted with adequate explanations.

BUDGET AND BUDGETARY COMPLIANCE

During our audit, we found a few instances where the Township was not in compliance with P.A. 2 regarding budgeting procedures. The Act provides that a local unit of government not incur expenditures in excess of the amount budgeted. During the year ended March 31, 2006, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts budgeted as follows:

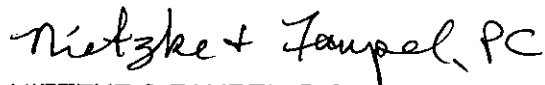
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>UNFAVORABLE VARIANCE</u>
GENERAL FUND:			
Zoning administrator	\$ 600	\$ 691	\$ 91
LIBRARY FUND	88,600	98,187	9,587
ROAD FUND	179,000	187,377	8,277
FIRE EQUIPMENT SINKING FUND	300	750	450

A final requirement of P.A. 2 is that the Township's budget be balanced. This means that the total estimated revenues including any available surplus from previous years equal or exceed estimated expenditures.

Circular 230 Disclosure: To the extent the above contains an opinion on one or more federal tax issues such opinion was not written to be used and cannot be used for the purpose of avoiding penalties.

In order to avoid incurring expenditures in excess of the appropriated amounts, the Act requires that the budget be amended when necessary. This would include reducing the budgeted amount if actual revenues are less than the estimated revenues originally budgeted, and increasing the budget to allow expenditures in excess of the original budget if excess amounts are available for transfer within the fund or if additional revenues become available. This can only be done if there are periodic comparisons between budget and actual figures throughout the year. We recommend that monthly comparisons be made between budgeted and year-to-date actual revenue and expenditures. If it appears there are going to be unfavorable variances between the budgeted and actual year-to-date figures, the budget should be amended to eliminate the variance.

The above recommendations are being made in an effort to improve the Township's system of record keeping and to aid the Township in conforming to State requirements. If you have any questions regarding these recommendations, please contact us. We are available to assist you with implementing any of the aforementioned recommendations.



NIETZKE & FAUPEL, P.C.
Sebewaing, Michigan

July 25, 2006